Supreme Court, U.S.
FILED
DEC 23 1996
CLERK

(2)

No. 96-783

In The

Supreme Court of the United States

October Term, 1996

HOLIDAY INNS, INC.,
Petitioner,

v.

800 RESERVATION, INC., et al.,
Respondents.

On Petition For A Writ of Certiorari To The United States Court of Appeals For The Sixth Circuit

RESPONDENTS' BRIEF IN OPPOSITION

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QUESTIONS PRESENTED FOR REVIEW

1. Whether the court of appeals erred materially in holding that no violation of the Lanham Act occurred because Respondents did not use Petitioner's mark or a "facsimile" of Petitioner's mark and did not create confusion.

2. Whether the court of appeals erred materially in holding that Respondents did not violate the Lanham Act by truthfully answering calls mistakenly placed to their 1-800-405-4329 number because Respondents never promoted or otherwise used in commerce Petitioner's telephone number, Petitioner's vanity number or any other vanity number.

3. Whether the court of appeals committed reversible error in this case by considering likelihood of confusion under the Lanham Act to be a mixed question of fact and law.

LIST OF PARTIES

The parties are stated correctly in the Petition.

This Brief In Opposition is filed on behalf of two of the Respondents, Call Management Systems, Inc., and 800 Reservation, Inc. Neither of these two parties has any parent company or nonwholly-owned subsidiary.

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Respondents 800 Reservation, Inc., and Call Management Systems, Inc. (hereinafter collectively "Respondents"), request that the Court deny the petition of Holiday Inns, Inc., for a writ of certiorari seeking review of an opinion of the United States Court of Appeals for the Sixth Circuit.

STATEMENT OF THE CASE

Respondent Call Management Systems ("Call Management") is a telephone service bureau that provides various telecommunications services for clients that include the State of Tennessee, the Gatlinburg Chamber of Commerce and the Pigeon Forge Department of Tourism, as well as Dollywood theme park and many other business. App. at 24a-25a. Call Management is the customer of record for the telephone number 1-800-405-4329. App. at 24a. That number differs by only one digit from Petitioner's number 1-800-465-4329: it is one of the "complementary" numbers that is frequently misdialed by callers who are attempting to dial Petitioner's number. App. at 2a.

Petitioner promotes its "800 number" as the mnemonic vanity number "1-800-HOLIDAY" and claims trademark rights in 1-800-HOLIDAY. App. at 2a. Petitioner does not promote "1-800-465-4329" and does not claim trademark rights in that number. See Pet. at 2-3. Although the phenomenon of misdialed vanity numbers is so well known that other hotel chains, like Marriott and Red Roof Inns, subscribe to common misdials of their vanity numbers, Petitioner did not attempt to subscribe to any misdials of its vanity number. App. at 4a. If a complementary number is not assigned, callers who dial it receive either a busy signal or a recorded message that the number is out of service. App. at 24a.

Respondents never used "1-800-HOLIDAY" or any of Petitioner's marks; and the district court agreed that they "never advertised or publicized anything to do with Holiday Inns or its telephone number." App. at 12a. Nor did Petitioners use any other vanity number. App. at 14a. Respondents simply answered their telephone. Callers who dialed Respondents' number first reached a recording that explained the situation:

> Hello. You have misdialed and have not reached Holiday Inns or any of its affiliates. You have called 800 Reservations, America's fastest growing independent computerized hotel reservations service. One of our highly trained hotel reservations specialists will be with you momentarily to provide the Holiday Inns number or to assist you in finding the lowest rate at over 19,000 properties world-wide, including such hotel chains as Holiday Inns, Guest Quarters, Hampton Inn, Sheraton, Comfort Inn, and many more. If you are a member of a hotel's frequent guest program, have that number ready. Please stay on the line, assistance is just a moment away.

App. at 5a-6a. This message was played as part of an automated answering system for every call. The district found testimony to the effect that it was "technologically impossible" for a caller to receive a live telephone operator without first hearing this recording to be credible. App. at 59a-60a.

Respondents admittedly answered calls from people who had mistakenly dialed Petitioner's telephone number, but they did nothing to *cause* that misdial; in fact, Respondents

lessened the impact of the caller's mistake with their recording because callers would otherwise have received a busy signal or a recorded message that the number was not in service. App. at 16a, 4a. The district court found that answering those calls and booking reservations for those callers served both the public and Petitioner, in addition to Respondents, because it would "aid the hotel chain in capturing otherwise lost customers." App. at 27a. Because Respondents booked reservations at *Petitioner's* properties when available, the district court found this was "extremely profitable" for Petitioner, resulting in approximately $275,000 worth of reservations at Petitioner's properties for which Respondents earned only a standard travel agents' fee of $8,888.71. App. at 29a. This caused the district court to question how damages could be owing:

> [I]t would appear that defendants have actually assisted plaintiff in making profits it otherwise would have lost by redirecting "lost" customers to their doors. Furthermore, to the extent that defendants may have rerouted some of these consumers to competitors, the court is hard pressed to comprehend how plaintiff can prove that those customers may not have contacted plaintiff's competing hotels in any event.

App. at 47a, n.4.

Because Respondents never used Petitioner's vanity telephone mnemonic, the "Holiday" trademark or any facsimile of Petitioner's marks, even the district court - which enjoined Respondents from answering misdialed calls to their telephone number - found Respondents did not violate the letter of the Lanham Act. App. at 16a, 37a. On the contrary, the district court stated unequivocally:

> The court agrees with defendants that, in a traditional sense, they have made no use of a Holiday inns' registered mark or of any similar name or logo. That is, they are not holding themselves out as an entity under the Holiday Inns' umbrella. Moreover, defendants are not advertising a similar word or name to induce public confusion and cause consumers to reach the wrong party.

App. at 35a. Nor is this a case where Respondents acted with bad intent. As the district court said of Mr. Montreuil, president of Call Management:

> Mr. Montreuil's intent is clear. He intends to create a profitable business for himself and his employees; he intends to increase profits for Holiday Inns ... and he intends to provide a unique service to the public.

App., at 30a. In fact, the district court questioned in its opinion on summary judgment why Petitioner would even bring this case instead of welcoming the added business Respondents produced for them:

> Again, the court is somewhat perplexed by Holiday Inn's refusal to allow defendants to answer the complementary number and play their proposed disclaimer and to salvage some of the lost business opportunity for plaintiff.

App. at 46a, n. 3.

CORRECTIONS OF MISSTATEMENTS IN THE PETITION

1. Petitioner wrongly but repeatedly equates Respondents' answering their 1-800-405-4329 telephone number with infringing use of "1-800-H[zero]LIDAY," a variation of Petitioner's trademark 1-800-HOLIDAY. See, for example, the Petition at 11: "It is undisputed that respondents 'used the phone number, 1-800-405-4329 [1-800-H[0]LIDAY]' (App., *infra*, 12a) to intercept calls...." See, also, the Petition at 12-13, n. 8: "... the court did not dispute that fact that respondents purposely selected the 1-800-H[0]LIDAY number (not merely its numeric equivalent." These statements create the false impression that the courts below accepted Petitioner's argument that Respondents used a trademark susceptible of causing confusion with Petitioner's mark, when in fact both courts rejected that argument. As stated by the court of appeals:

> The district court agreed with the defendants' argument and found that Call Management never used "1-800-HOLIDAY" or any of Holiday Inns's marks, and "never advertised or publicized anything to do with Holiday Inns or its telephone number."

App., 12a (note omitted). The court of appeals accepted this finding and ruled that Respondents "never used Holiday Inns's trademark nor any facsimile of Holiday Inns's marks." App., 16a. Seemingly contrary statements in the Petition are not supported by the record.

2. In support of the contention that some callers to Respondents' 800 number were misled and possibly did not receive the recording quoted above, the Petition states that

one customer "booked a room at a Holiday Inn in the belief that he was dealing directly with a Holiday Inns representative, only to learn later that the room had in fact been booked by [one of the respondents]." Pet., at 5. The testimony of that customer, Thomas Lee Miller, shows that he did not personally place the telephone call and does not know whether the remote operator who placed the call for him heard the recorded message before passing the call on to him. R.24, page 16 line 13 - page 18 line 13, page 31 line 10 - page 32 line 18. As for the other purported instance of caller confusion, the district court declined to rely on it in light of (a) the flatly contradictory testimony of Call Management's president that it was "technologically impossible" for a caller to receive a live telephone operator without first hearing a recording advising the caller that he had not reached Holiday Inns, and (b) other testimony that directly conflicted with the purported confusion story. App. at 59a-60a.

3. Petitioner relies on statements of an employee, Ann Fant, for the proposition that the Holiday Inn room rates available to callers to Respondents' telephone number were *higher* than the rate the caller would have paid by calling Petitioner because of differences between Petitioner's own reservations systems and the one used by travel agents. Pet. at 5; App. at 6a-7a (n. 1), 28a. As stated in the Petition: "a customer who mistakenly dialed [Respondents' number] could be given incorrect information about room availability and/or rates at Holiday Inns.... Moreover, customers were more likely to obtain lower room rates by contacting Holiday Inns directly than by contacting [Respondents] through the misdialed complementary number." Pet. at 5. There is, in fact, no credible evidence to support those allegations. Ms. Fant herself, in later sworn deposition testimony, directly denied their truth:

Q. Now you said something interesting. Up in Knoxville, you said it cost Holiday Inns or costs a guest who wanted to stay over night more if they booked through a travel agent than if they booked through the Holiday Express System? Do you recall that testimony?

A. No, I do not.

Q. Well, do you know that to be true or untrue? I am talking about a charge to a guest, that the cost to a guest would be more if they booked through a travel agent than if they booked through Holiday Express?

A. The room rate is the room rate.

* * *

Q. You didn't tell the Court it was cheaper to book through Holiday Inns than through a travel agent?

A. No sir, I didn't.

Fant Dep. at 35-36, 38, cited at R.63, pp. 8-9. Ms. Fant's testimony about room availability was also later contradicted by the sworn testimony of Byron Hill, the manager of Petitioner's property in Gatlinburg, Tennessee. He testified that availability of rooms as shown on both Petitioner's computer reservations system and the system used by Respondents and other travel agents reflect actual availability

unless the manager of the hotel property in question blocks rooms from either of the two integrated reservation systems. Hill Dep. at 13-15, 23-24, 26, cited at R.63, pp. 11-12.

REASONS FOR DENYING THE WRIT

The decision of the court of appeals is correct and does not conflict with any decision of this Court or of any court of appeals. The questions presented in the Petition do not accuracy reflect the *ratio decidendi* of the court of appeals. No further review is warranted.

A. Petitioner Has Not Demonstrated That Either The Supreme Or Any Court Of Appeals Has Found Trademark Infringement Where The Defendant Did Not Use A Trademark.

Both prongs of Petitioner's first argument for granting its writ rest on the fallacy (see Misstatement No. 1) that Respondents used petitioner's HOLIDAY trademark or another trademark in connection with its telephone number. The record to the contrary is unequivocal: Respondents did not use any trademark in answering calls to their telephone number; Respondents merely answered their telephone. App. at 12a, 16a-18a. As the court of appeals stated, "both the district court and Holiday Inns acknowledge that *the defendants never used a mark or a deceptively similar copy of a mark owned by Holiday Inns....*" App. at 16a (emphasis added). Petitioner nevertheless argues, first, that it was error for the court of appeals not to proceed with a "likelihood of confusion" analysis. But the applicable statute, 15 U.S.C. § 1125(a)(1), imposes liability for trademark infringement only where a defendant:

> uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact....

Here, in the absence of any such use, liability cannot exist under the statute. That explains why Petitioner fails to cite even one case in support of this argument where the defendant did not use a trademark. Indeed, Petitioner prefaces its discussion of case law with the assertion: "the sole and dispositive question is whether there is a likelihood of confusion between the plaintiff's mark and *the mark or symbol used by the defendant*." Pet. at 13-14. True to this assertion, Petitioner fails to cite even one case in conflict with the court of appeal's ruling.

In the second prong of its first argument, Petitioner asserts that a defendant may be liable for trademark infringement even if its trademark is not a "facsimile" or "copy" of the plaintiff's mark. Pet. at 17. Neither this argument nor any of the cases cited thereunder by Petitioner addresses the situation where the defendant does not use any mark at all. Instead, these cases all compare *sets of marks,* albeit ones that are not always visually or orally similar, such as:

-- JELLIBEANS and LOLLIPOPS, for skating rinks;[1]
-- BEER NUTS and BREW NUTS, for snack foods;[2]

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[1] *Jellibeans, Inc. v. Skating Clubs of Ga., Inc.*, 716 F.2d 833, 839 (11th Cir. 1983).

[2] *Beer Nuts, Inc. v. Clover Club Foods Co.*, 805 F.2d 920 (10th Cir. 1986).

-- NATIVE TAN and BEACH BUFF (both with sunburst symbols), for sun screens;[3]
-- PEGASUS and pictorial symbol of a flying horse, for oil companies;[4] and
-- TORNADO and CYCLONE, for fencing.[5]

Since none of these cases involves a defendant that did not use a trademark, not a single one is in conflict with the ruling for which writ is sought.

B. There Is No Conflict Among The Circuits That Use Of A Trademark Or Misrepresentation Is A Prerequisite To Liability Under The Lanham Act.

Petitioner's second argument is contrary to the explicit language of the Lanham Act provisions under which Petitioner seeks relief. Both 15 U.S.C. sections 1114 and 1125 impose liability only where a defendant's accused conduct includes "use" of a trademark or misrepresentation that leads to confusion, mistake or deception. The court of appeals expressly recognized this statutory underpinning and refused to find liability here since "defendants in this case never used Holiday Inns' trademark nor any facsimile of Holiday Inns' marks. Moreover, the defendants did not create any confusion." App. at 16a. The Petition seizes upon one

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[3] *Sun-Fun Prods. Inc. v. Suntan Research & Dev. Inc.*, 656 F.2d 186 (5th Cir. 1981).

[4] *Mobil Oil Corp. v. Pegasus Petroleum Corp.*, 818 F.2d 254 (2d Cir. 1987).

[5] *Hancock v. American Steel & Wire Co.*, 203 F.2d 737 (C.C.P.A. 1953).

aspect of this lack of use - lack of "promotion" - by which the court of appeals distinguished this case from the fact pattern in *Dial-A-Mattress Franchise Corp. v. Page*, 880 F.2d 675 (2d Cir. 1989), and misportrays the court of appeals' decision as (1) conflicting with the earlier decision of the Court of Appeals for the Second Circuit, and (2) establishing a new "promotion" requirement. Pet. at 23. First, the court of appeals' rationale is consistent with *Dial-A-Mattress*: the court concluded that Petitioner has trademark rights in its vanity number 1-800-HOLIDAY but accepted the district court's finding that Respondents never used that mark or any other mark or misleading representation. App. at 17a. Second, the court of appeals did not, as Petitioner argues, impose a "promotional use" requirement on Lanham Act cases; it noted, rather, that the instant case does not involve any use of a mark, and *in particular* not any promotional use of the sort found in *Dial-A-Mattress*. It is telling that Petitioner has not cited even one case where liability was imposed in the absence of such use, and it prefaces its list of "supporting" cases with the admission that some "*minimal use*" of a mark is needed to give rise to a likelihood of confusion. As the court of appeals observed in this regard:

> Holiday Inns does not offer, and our own research has not produced, a case in which the defendant neither used the offending mark nor created the confusion and yet was deemed to have committed a trademark infringement. We believe that stretching the plain language of the Lanham Act to cover the present dispute is unjustified.

App. at 18a.

C. The Long-Standing Divergence Among The Circuits Regarding The Nature Of The Test For Likelihood Of Confusion Is Not Ground For Review And Is Irrelevant To This Case.

Petitioner's last argument in support of it request for a writ is that the Court should accept this case as the vehicle for resolving the "long-standing" divergence among the circuits regarding the nature of the test for likelihood of confusion under the Lanham Act. Pet. at 29. As the Petition acknowledges, the Supreme Court has many times refused to treat this as ground for review. Pet. at 27. Even if the Court were disposed to address this issue one day, this is not the case in which to do it because here it is not outcome determinative. This case is on appeal from a grant of summary judgment, not findings made after a trial. The court of appeals reversed the district court's finding of liability because of the lower court's misapplication of law - specifically the failure to recognize that "use in commerce" is a prerequisite to liability under the Lanham Act - not because of a disagreement as to whether the individual findings under the multi-factor test for likelihood of confusion collectively supported the conclusion that confusion was likely. Because the threshold "use" of a trademark had not been established, *the court of appeals did not even address the issue of likelihood of confusion*. App. at 17a-18a. Thus the standard under which it would have reviewed a ruling on likelihood of confusion is not at issue here.

CONCLUSION

For the foregoing reasons, Respondents request that the petition for writ of certiorari be denied.

Respectfully submitted,

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